

- (2) the addition of payphone related, direct retail costs associated with non-network retail functions (e.g., marketing, billing and customer services) that were excluded from Verizon's TELRIC studies;
- (3) the development of a payphone-specific resale discount, calculated using the retail overhead factor described above;
- (4) the application of current retail rates for directory assistance ("DA"), DA Call Completion, and toll usage and operator surcharges because TELRIC-based rates for these elements were not developed in D.T.E. 01-20; and
- (5) the inclusion of the federally mandated Subscriber Line Charge ("SLC") as a current retail rate applied to PALs and PASLs as business lines.

(Verizon April 25, 2003 Comments at 1).

Verizon's November 17, 2003 filing updated the rates to reflect the final UNE rates established in D.T.E. 01-20. Verizon's November 2003 filing also differs from the April 2003 filing in that Verizon factored in 1) timing effects; 2) retail expense adjustments; and 3) changes to the FCC's SLC.<sup>19</sup>

In this section, the Department determines whether Verizon's PAL and PASL rates as proposed in its November 2003 filing comply with our directive for TELRIC-based rates, and

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<sup>19</sup> Both Verizon's April 2003 and November 2003 TELRIC proposals represent snapshots of the number of PAL lines and PASL lines in operation in different density zones over time. Therefore, as lines are taken out of service or put in service, the timing of when the snapshot is taken affects Verizon's revenues as indicated in Verizon's proposals. In addition, in accordance with the Department's directives in D.T.E. 01-20 and Consolidated Arbitrations, D.P.U./D.T.E. 96-73/74, 96-75, 96-80/81, 96-83, 96-94, Verizon adjusted its retail expense factor from 8.27 percent in the April 2003 filing to 8.41 percent in the November 2003 filing. Finally, in accordance with FCC directives, Verizon changed the SLC from \$7.13 per line in the April 2003 filing to \$6.45 per line in the November filing. As a result of these adjustments, Verizon's current and projected average revenue per line show an annual payphone revenue of negative \$6.1 million in the November filing, as opposed to negative \$5.5 million in the April filing.

also whether the rates comply with FCC requirements for payphone access line rates, including the new services test. We will discuss the following issues: (1) whether loop costs should be disaggregated between PAL and PASL lines; (2) whether payphone loop rates should be deaveraged based on density zones or averaged statewide based on weightings from payphone distribution throughout the state; (3) Verizon's proposed deaveraged loop rate for PAL Unlimited service; (4) Verizon's proposed retail expense factor; (5) whether PASL coin port costs are the same as PAL port costs; and (6) Verizon's local minutes-of-use assumptions.

2. Positions of the Parties

a. Verizon

Verizon claims that its TELRIC filing complies with the Department's directives to update payphone rates using TELRIC-based prices contained in Verizon's compliance filings in D.T.E. 01-20 (Verizon May 19, 2003 Reply Comments at 3).<sup>20</sup> Verizon asserts that its payphone rates are based on density zone weightings specific to PAL and PASL services in Massachusetts (*id.* at 5). Contrary to NEPCC's claim, Verizon argues that it used the most recent density zone weightings from October 16, 2001, to determine the TELRIC-based rates in its filings (*id.*). Verizon also contends that it proposed a higher, deaveraged loop rate for PAL Unlimited service to reflect the different weighting for the service, given that PAL

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<sup>20</sup> Except for the differences discussed in n.19, above, Verizon's April and November proposals are similar such that the parties' comments concerning Verizon's April 2003 proposal are applicable to the November 2003 proposal as well. In response to Verizon's November 2003 proposal, NEPCC stated that it had "no detailed comments" on Verizon's revised proposal except to state that the proposal "further confirms" NEPCC's prior arguments (D.P.U./D.T.E. 97-88/97-18 (Phase II), NEPCC Letter (December 2, 2003)).

Unlimited service currently is not offered statewide, as compared to the other payphone line services (id. at 6). Verizon claims that the differential is reasonable because flat-rated PAL service is not available in any of the metro exchanges and only in some urban exchanges (id.). Furthermore, Verizon argues that the Department should reject NEPCC's attempt to expand its flat-rated PAL service statewide (id. at 7).

Verizon claims that its retail expense factor, which captures retail costs (e.g., billing, administrative, and customer service expenses) attributable to its provision of payphone services to PSPs, is permissible under the FCC's Wisconsin Order (id. at 10). According to Verizon, unlike UNE rates, the FCC ruled that payphone line rates may include a retail expense factor because retail functions are being provided to PSPs by the LEC (id.). Verizon argues that it developed its retail expense factor in compliance with the Department's February 21, 2003 directive to update its proposed TELRIC-based payphone rates to be consistent with the FCC's Wisconsin Order (id. at 11). Verizon also states that a "comparable resale discount" would apply to resellers because the retail functionality and associated expenses would be assumed by the reseller (id.).

b. NEPCC

NEPCC argues that Verizon's PAL rates do not comply with federal requirements (NEPCC April 24, 2003 Comments at 1). NEPCC claims that Verizon's UNE loop rate of \$14.20 for measured PAL service fails to apply the density weighting that Verizon

previously agreed should be applied to PALs (id. at 8).<sup>21</sup> According to NEPCC, Verizon's use of new, unsupported weightings increases the loop costs for PAL lines (id. at 9).

NEPCC also challenges Verizon's loop rate for PAL Unlimited service, contending that Verizon has acted inappropriately when it introduced this change at the last minute (id.). NEPCC contends that the Department did not require this change and nothing in the FCC's Payphone Orders, including the Wisconsin Order, suggests that it is appropriate (id.). NEPCC argues that this special loop rate is based solely on Verizon's unilateral choice not to provide a PAL Unlimited service, and has nothing to do with PAL service costs (id. at 11).

In addition, NEPCC claims that Verizon, which had initially represented that a PASL coin port cost more than a PAL port, should not now be allowed to argue that both ports cost the same (id. at 12). NEPCC states that in its April 15, 2003 filing, Verizon, for the first time, advanced the position that it costs no more to provide more functionality using additional equipment with a coin port than it does with a PAL port (id.). Also, NEPCC argues that Verizon's proposed usage rate demonstrates how PAL subscribers have been grossly overcharged for years (id. at 13). NEPCC argues that Verizon has provided no work papers or other support to justify its proposed local minutes-of-use assumptions (id.).

Lastly, NEPCC claims that Verizon's new retail expense factor is not required by the FCC (id. at 14). NEPCC contends that the Department has made it clear that PAL and PASL services are wholesale services, and Verizon's retail expense factor contradicts that finding

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<sup>21</sup> Verizon proposed a UNE loop rate of \$14.20 for measured PAL service in both its April 15, 2003 and November 17, 2003 filings.

(id.). Had Verizon wanted to contest the Department's conclusion concerning the wholesale classification of PAL and PASL services, NEPCC asserts that Verizon should have done so as part of the D.T.E. 01-31 proceeding rather than in this docket (id. at 14-15). In addition, NEPCC argues that there is no record to support Verizon's proposed retail expense factor (id. at 15).

### 3. Analysis and Findings

First, we address the issue of whether payphone service loop costs should be disaggregated by PAL and PASL service, as suggested by NEPCC. As Verizon notes, neither the FCC nor the Department required that loop costs be PAL- and PASL-specific. Contrary to NEPCC's claim, the Department did not require Verizon to file a PAL-specific cost study in the DTE November 2000 Order, but rather contemplated that loop costs would be aggregated between PAL and PASL services. See DTE November 2000 Order at 13-17. Moreover, we determine that separate cost studies for each service are unnecessary because, as Verizon has demonstrated, there is little difference in cost between PAL and PASL lines, based on the very close relationship between PAL and PASL access line distributions by density zone (Exh. VZ-MA-47, at 9). In addition, the record indicates that the distribution of payphone access lines by density zone is similar to the distribution of the loops from Verizon's D.T.E. 01-20 TELRIC loop study (see id. at 8). In D.T.E. 01-20, the Department approved a Verizon loop cost study that was not disaggregated by the type of service that was being provided over the

loop. See D.T.E. 01-20, Verizon Compliance Filing (stamp-approved July 16, 2003).<sup>22</sup>

Therefore, consistent with the Department's approval of the compliance filing in D.T.E. 01-20, we determine that Verizon is not required to disaggregate loop costs by PAL and PASL service.

Next, we address the issue of whether PAL and PASL loop rates should be deaveraged by density zone or should be averaged statewide based on weightings from payphone distributions throughout the state. Verizon proposes a statewide weighted average loop rate of \$14.20 based on current UNE loop rates in the four density zones and the distribution of PAL and PASL lines throughout the state.<sup>23</sup> UNE-loop rates are deaveraged by cost into four density zones in Massachusetts, and we determine that we should do the same for PAL and PASL loop rates. Verizon consistently has argued in this proceeding that there is no cost difference between loops for PALs and PASLs and loops for payphones and other network access services, because access line distributions are similar for these different services (see, e.g., Verizon Brief at 10 ("There is no evidence that direct costs of the link differ based on whether it is a residence, business or PAL customer. The cost to provide a loop will be the same to a given location regardless of customer classification"). Thus, we are persuaded that deaveraged loop rates for PAL and PASL services, rather than averaged statewide rates, would be more consistent with our TELRIC principles from D.T.E. 01-20. Verizon shall use

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<sup>22</sup> Because we are adopting TELRIC-based rates for payphone line services in this docket which are derived from the UNEs we established in D.T.E. 01-20, we are guided in this process by our related findings in the D.T.E. 01-20 proceeding.

<sup>23</sup> The only exception is the rate for a PAL Unlimited service loop, which we discuss below.

deaveraged loop rates based on the current four-zone UNE configuration for its PAL and PASL loop rates.

Verizon also seeks to implement a new separate loop rate for PAL Unlimited service of \$15.69, which is \$1.49 more than the loop rate for PAL Measured service (see Verizon November 17, 2003 Filing, Tab B, Attachment IV). With the reclassification of PAL services from retail to wholesale, Verizon will no longer offer payphone lines services on a resold basis to CLECs (see Section IV, below, for additional discussion). Thus, PAL service will be available only on a wholesale basis, not on the present retail and resale basis. The basic structure of the proposed TELRIC-based rates (i.e., a loop, port, and local usage rate) eliminates the previous usage distinction between PAL Unlimited and PAL Measured services. Thus, there is no need for Verizon to offer a PAL Unlimited service on a wholesale basis. The separate loop rate issue raised by NEPCC, therefore, is moot.<sup>24</sup>

Next, we address Verizon's proposed retail expense factor. In the Wisconsin Order at ¶ 50, the FCC stated that "LECs may include in their direct cost calculations those 'retail' costs, such as marketing and billing costs, that they can show are attributable to payphone line services." In doing so, however, the FCC made clear that it was not mandating that LEC rates had to include retail expenses. Id.; see also Wisconsin Order at ¶¶ 49, 50 (FCC found that state commissions had the discretion to select among different forward-looking cost methodologies that were "consistent" with the Local Competition Order, including TELRIC

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<sup>24</sup> Elimination of the usage distinction between PAL services also renders moot the issue of Verizon's minutes-of-use assumptions.

pricing; states could, but were not required to, include retail expenses in payphone line rates.). Thus, we agree with NEPCC that, although LECs may propose retail expenses, the states have discretion to determine whether to allow recovery of those expenses. However, we find that it would be inconsistent with our wholesale classification of payphone line rates, and use of the TELRIC methodology, to allow recovery of retail expenses. It is axiomatic that wholesale services should not recover retail costs and the TELRIC methodology specifically excludes such costs. Moreover, Verizon's UNE rates, from which the payphone line rates are derived, are calculated to include wholesale marketing expenses. Therefore, the Department rejects Verizon's proposed retail expense factor.

In addition, in its November 17, 2003 filing, Verizon proposes a PAL port rate of \$2.22 and a coin port rate of \$2.48 (a difference of \$.26 between the two rates), based on the final UNE rates from D.T.E. 01-20 (see Verizon November 17, 2003 filing at Workpaper, citing Tariff M.D.T.E. No. 17, Part M, § 2.6.1). In its April 2003 comments, NEPCC raised objections about the similarity of the coin port and PAL port rates contained in Verizon's April 15, 2003 filing, given that NEPCC would expect the coin port rate (which Verizon's retail payphone business pays) to be higher due to the need for more equipment to provide the additional functionality. We note that in Verizon's November 2003 filing, the proposed coin port rate is slightly higher, consistent with NEPCC's observations. Moreover, Verizon's \$2.48 coin port rate and \$2.22 PAL port rate were approved in D.T.E. 01-20 (see Tariff M.D.T.E. No. 17, Part M, § 2, at 8) and the parties have provided no basis upon which to establish the rates otherwise in this proceeding.

In addition, Verizon contends that adoption of the November 17, 2003 proposed TELRIC-based rates will reduce its annual revenue by several million dollars,<sup>25</sup> and argues that the Department should allow it to recover that lost revenue through an exogenous adjustment under its Alternative Regulation Plan (Verizon April 25, 2003 Comments at 12). We determine that it is premature for the Department to decide this issue, in advance of Verizon filing such a petition.

Therefore, with the changes directed above, we find that Verizon's PAL and PASL rates will be in compliance with our directive for TELRIC-based rates and also with FCC requirements for payphone access line rates.<sup>26</sup>

D. Refund Issues

1. Introduction

NEPCC asserts that in 1997, when the FCC permitted incumbent LECs to start collecting dial-around compensation for calls made from their payphones, the FCC also indicated that payphone access rates for competitors must comply with the FCC's cost standard, and required that cost-based rates be in effect by April 15, 1997. Accordingly,

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<sup>25</sup> See n.19, above.

<sup>26</sup> The decision in United States Telecommunications Ass'n v. Federal Communications Comm'n, 359 F.3d 554 (D.C. Cir. 2004), and the subsequent decisions of the United States Solicitor General and the FCC not to appeal, suggest that some change in the UNE/TELRIC pricing regime may occur at the federal level and may have state-level implications. If significant change occurs, the Department may, either upon petition or sua sponte, review then-existing rates for their continued vitality in light of such a change. See MCI v. Department of Telecommunications and Energy, No. SJC-09120, slip op. at 7 (Mass. Supreme Judicial Court June 21, 2004) (available at <http://www.socialaw.com/sjcslip/sjcJune04p.html>).

NEPCC argues that, if the Department concludes that Verizon's existing PAL rates, in effect since April 1, 1997, do not satisfy the FCC's cost standard and must be reduced, the Department must also order a refund retroactive to April 15, 1997.<sup>27</sup>

2. Positions of the Parties

a. Verizon

Verizon states that its existing payphone rates comply fully with the FCC's requirements (Verizon April 25, 2003 Comments at 4, 6). Verizon argues that even if the Department were to require changes to payphone service rates, no rate refunds are required because the existing rates were previously approved as lawful and considered compliant with the FCC's applicable pricing requirements (Verizon May 19, 2003 Reply Comments at 12). Verizon claims that to approve rates retroactively is neither authorized under Massachusetts law nor required under the FCC's Payphone Orders (*id.*). Accordingly, Verizon states that it would be unjust and unreasonable for the Department to ignore tariffed rates, as NEPCC suggests, and permit refunds based on a subsequent ruling (*id.*). Moreover, Verizon contends that a rate refund would be inconsistent with both the filed rate doctrine, which limits regulatory authorities to prospective adjustments of current rates, and its corollary, the prohibition against retroactive ratemaking (Verizon Reply Brief at 18).

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<sup>27</sup> In Implementation of the Pay Telephone Reclassification and Compensation Provisions to the Telecommunications Act of 1996, CC Docket 96-128, Second Clarification Order, 12 FCC Rcd 21370 (Com. Car. Bur. 1997) at ¶ 25 ("Second Clarification Order"), the Common Carrier Bureau stated, "A LEC who seeks to rely on the waiver [of time to file intrastate tariffs for payphone services] granted in the instant Order must reimburse its customers or provide credit from April 15, 1997 in situations where the newly tariffed rates, when effective, are lower than the existing tariffed rates."

b. NEPCC

NEPCC indicates that in order for Verizon to be eligible for dial-around compensation on its payphones, the FCC required Verizon to have PAL rates in effect that comply with the requirements of the FCC's Payphone Orders by April 15, 1997 (NEPCC April 24, 2003 Comments at 16). According to NEPCC, because Verizon's PAL rates were not in compliance, Verizon can only retain its eligibility for dial-around compensation by reimbursing its customers for the overcharges since that time (id. at 16-17). NEPCC indicates that a number of states have ordered refunds based on the difference between PAL rates set in compliance with the Payphone Orders and non-compliant PAL rates previously in effect (id. at 17-18). NEPCC argues that reducing Verizon's rates on a prospective-only basis would ignore the FCC's directives in the Payphone Orders and would give Verizon a windfall for the past five years (id. at 18).

3. Analysis and Findings

For the following reasons, we do not require Verizon to refund the difference between the PAL rates we establish today, and the PAL rates that have been in effect since April 1997. As the parties are aware, the Department has allowed the rates that were in effect on April 1, 1997, to stay in effect throughout the Department's investigation in this docket. In several other rate investigations, the Department has allowed interim rates to go into effect, or has allowed existing rates to continue, subject to a true-up mechanism. However, when a true-up approach is to be used, the Department has explicitly so stated. See, e.g., UNE Rates Proceeding, D.T.E. 01-20, at 14, Order on Parties' Motions for Extensions (2002) (requiring

interim switching rates to filed with a retroactive true-up upon final approval). At no point in the instant proceeding did the Department indicate that we would employ a true-up or refund mechanism. To the contrary, in an earlier Order in this docket, the Department stated that interim PAL rates were not warranted because the Department did not find that Verizon's existing PAL rates violated the FCC's new services test. DTE Order on Reconsideration at 6.

In addition, lawful rates remain in effect, whether under G.L. c. 159, § 14, or under G.L. c. 164, § 94.<sup>28</sup> The Department has never made a determination that Verizon's April 1997 payphone rates were inconsistent with the FCC's requirements or were otherwise unlawful. That the Department now finds, based on deliberations and regulatory changes that took place as a result of the Department's D.T.E. 01-31 and D.T.E. 01-20 proceedings, and based on additional guidance on pricing standards from the FCC and reviewing courts, that Verizon must modify its PAL rates in order to comply with FCC and Department requirements, does not render the prior PAL rates either unlawful for the period the prior rates were in effect or subject to a refund. See Colorado Payphone Association v. U.S. West Communications, Inc., CO PUC Docket No. 98F-146T at 2-3, Decision Denying Applications for Rehearing (adopted July 14, 1999) (holding that a refund was not required when the state

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<sup>28</sup> Investigation by the Department of Telecommunications and Energy on its own Motion as to the Propriety of the Rates and Charges Set Forth in the Following Tariff: M.D.T.E. No. 17, filed with the Department on April 10, 2002, to become effective May 10, 2002, by Verizon New England, Inc. d/b/a Verizon Massachusetts, D.T.E. 02-26, at 5, Letter Order (May 9, 2002) (holding that UNE rates established in the Consolidated Arbitrations proceeding are in compliance with FCC requirements and the ongoing review of those rates does not change that status until a superseding order of the Department issues).

public utility commission decreased PAL rates after April 1997 when decrease was warranted because cost-to-price ratios for basic PAL service were excessive).

Moreover, although NEPCC argues that the FCC requires the Department to order a refund if the Department establishes PAL rates that are lower than the rates that were in effect in April 1997 (NEPCC April 24, 2003 Comments at 16-19, citing Second Clarification Order at ¶ 25), we conclude that NEPCC's position requires too broad a reading of the Common Carrier Bureau's language. The Second Clarification Order states that a reimbursement or credit would be necessary if a LEC relied on the limited waiver of time granted in that order (i.e., until May 19, 1997) to file its intrastate payphone services tariff.<sup>29</sup> Verizon filed its tariff with the Department on January 24, 1997 (i.e., before issuance of the Second Clarification Order), and, therefore, Verizon did not rely on the FCC's waiver of time granted in that order. Therefore, for the reasons discussed above, the Department concludes that a refund of Verizon's PAL rates is not required.

#### IV. CONCLUSION

Based on the above directives, Verizon shall submit a compliance filing, including tariff pages, within two weeks of the date of this Order. The proposed tariff pages shall have an effective date 90 days from the date of the compliance filing. NEPCC may submit comments on the compliance filing no later than one week from the date of Verizon's filing. NEPCC's comments shall be limited to Verizon's compliance with the directives in this Order. Verizon's

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<sup>29</sup> See Second Clarification Order at ¶¶ 2, 25.

reply comments are due no later than one week from the date of the filing of NEPCC's comments.

Verizon's compliance filing shall also include tariff changes to remove PAL and PASL services from Tariff M.D.T.E. No. 10 and to tariff them in the appropriate wholesale tariff. This reclassification will mean that Verizon is no longer required to offer PAL and PASL services to CLEC resellers. See 47 U.S.C. § 251(c)(4)(A) (ILECs have a duty "to offer at wholesale rates any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers"). In light of the fact that Verizon will be filing revised tariff pages to eliminate PASL from retail rates, we find it reasonable to provide for a 90-day transition period to allow sufficient time for notification to resellers and for resellers to notify their IPP customers, and for these carriers to adjust their business plans accordingly. Verizon shall provide at least 60 days notice to CLEC resellers in advance of the elimination of PAL and PASL services as resale services. Because the resale services will be in transition, it is appropriate for Verizon to continue charging the existing rates for PAL resold services (not the new rates approved in this Order) during the transition. However, on the ninetieth day following the date of issuance of the Department's Order approving Verizon's compliance filing, the new rates shall be effective.

V. ORDER

After due notice, hearing and consideration, it is

ORDERED: That Verizon Massachusetts shall submit a compliance filing consistent with the directives in this Order within two weeks of the date of this Order; and it is

**FURTHER ORDERED:** That Verizon Massachusetts and New England Public Communications Council, Inc., shall comply with all directives contained in this Order.

By Order of the Department,

/s/  
Paul G. Afonso, Chairman

/s/  
James Connelly, Commissioner

/s/  
W. Robert Keating, Commissioner

/s/  
Eugene J. Sullivan, Jr., Commissioner

/s/  
Deirdre K. Manning, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).

## **Exhibit 2**

NYNEX  
185 Franklin Street, Boston, MA 02110  
Tel: 617 743 8800  
Fax: 617 743 8885

William J. McIntyre  
Vice President - Massachusetts

May 16, 1997

**NYNEX**

Mary L. Cottrell, Secretary  
Department of Public Utilities  
Commonwealth of Massachusetts  
Leverett Saltonstall Building  
100 Cambridge Street, 12th Floor, Room 1201  
Boston, Massachusetts 02202

RE: Implementation of the Pay Telephone  
Reclassification and Compensation Provisions  
of the Telecommunications Act of 1996

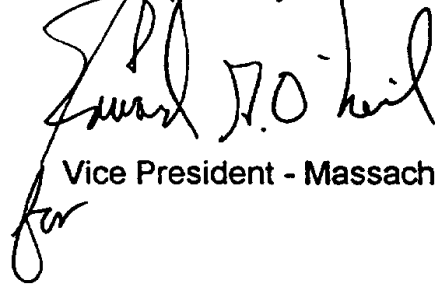
Dear Secretary Cottrell:

On April 4, 1997 the FCC released an Order (the Bureau Waiver Order, DA 97-678) in which it clarified that its New Services Test (47 C.F.R. Section 61.49[g][2]), applicable to federally tariffed new payphone services, also applies to state tariffs for basic payphone services and features. The FCC also clarified that this federal standard applies to existing state tariffed payphone services and features. NYNEX, as further described below, is providing the Department with the requisite cost support information as required in the April 15, 1997 FCC Order granting a limited waiver (the Bureau Limited Waiver Order, DA 97-805 at para. 18). Public Access Line Service (PALs) and Public Access Smart Line Service (PASLs) tariff rates for Massachusetts conform to the FCC requirements. Certain other optional features as more fully explained below do not conform and will be revised in a subsequent filing to be made by May 19, 1997.

The FCC's clarification that LEC intrastate payphone service tariffs be cost based, in accordance with the general requirements of the New Services Test, means that 1) rates must be based on the direct cost of the service and 2) recover a reasonable portion of overhead costs. NYNEX, as well as many other LECs, did not understand the FCC's prior Orders meant to apply the federal new services pricing standard to state rates for new or existing payphone services provided to payphone service providers. The Department, when it reviewed and approved these tariffs, may not have specifically done so with the goal of complying with the FCC New Services Test. NYNEX has examined its state tariff rates in light of the recent FCC clarification in order to assure its compliance. NYNEX hereby provides the same information used in its examination and assurance to the Department for its informational purposes.

The attached chart compares the present rates, costs and cost/rate ratios for these services. The chart demonstrates that all PAL and PASL rates cover direct costs and provide a reasonable contribution towards recovery of overhead costs. Curb-A-Charge blocking and screening features are the only payphone specific, network-based, Massachusetts tariff unbundled features provided to PSPs. While these features are also generally available to and used by business and residence customers, the FCC clarified that these specific features were examples of other features that must also conform (Bureau Waiver Order at paragraph 18 and footnote 49). Curb-A-Charge consists of three options; Direct Dial Screening, Operator Number Screening and Terminating Number Screening. Direct Dial Screening and Terminating Number Screening rates are less than their direct cost. Operator Number Screening has a rate but no identifiable direct cost. Therefore, these options do not currently comply with the federal requirement. The FCC, by Order of the Chief, Common Carrier Bureau (DA 97-805 released April 15, 1997), granted a limited waiver permitting LECs 45 days from April 4, in which to file state tariffs consistent with the federal guidelines. The Waiver also provided that existing state payphone tariffs will continue in effect until the intrastate tariffs, filed to comply with the Order, become effective. NYNEX intends to file a revision to the tariff, by May 19, 1997, establishing revised rates for these optional features, which comply with the FCC requirements.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Edward J. O'Neil". The signature is stylized with a large initial "E" and a long horizontal stroke.

Vice President - Massachusetts

**STATE OF MASSACHUSETTS  
FCC New Services Test**

Product Name	Tariffed Rate	TELRIC Cost	TELRIC Ratio
<b>NEW SERVICES</b>			
BCAL 1	\$26.94	\$15.90	0.59
BCAL 2	\$26.94	\$15.90	0.59
Inmate	\$22.94	\$16.09	0.70
Charge-a-Call	\$22.94	\$16.09	0.70
<b>EXISTING SERVICES</b>			
PAL / 1MA	\$19.00	\$14.63	0.77
PAL / 1FY	\$44.42	\$22.09	0.50
<b>FEATURES</b>			
<b>DDS:</b>			
PAL / 1MA	\$0.97	\$1.17	1.21
PAL / 1FY	\$0.97	\$1.17	1.21
<b>BNS / TNS:</b>			
PAL / 1MA	\$0.00	\$0.29	~
PAL / 1FY	\$0.00	\$0.29	~
<b>ONS:</b>			
PAL / 1MA	\$0.97	\$0.00	~
PAL / 1FY	\$0.97	\$0.00	~

**NOTES:**

OCS / ONS INCLUDES CURB-A-CHARGE'S DIRECT DIAL SCREENING  
AND OPERATOR NUMBER SCREENING

BNS / TNS INCLUDES CURB-A-CHARGE'S TERMINATING NUMBER  
SCREENING

TARIFF RATE INCLUDES \$6 FCC SUBSCRIBER LINE CHARGE